



3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✗	✓	✗
+ Positive	= Neutral	- Negative	

What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✓
RQ	✗	↔	✓
RV	✗	↔	✗

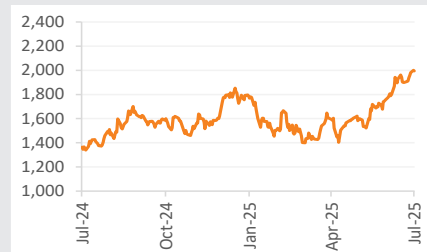
Company details

Market cap:	Rs. 27,596 cr
52-week high/low:	Rs. 2040/1221
NSE volume: (No of shares)	3.0 lakh
BSE code:	542752
NSE code:	AFFLE
Free float: (No of shares)	6.3 cr

Shareholding (%)

Promoters	55.0
FII	16.1
DII	15.3
Others	13.6

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	13.8	25.2	12.7	46.2
Relative to Sensex	11.0	15.1	6.1	40.8

Source: Mirae Asset Sharekhan Research, Bloomberg

Affle 3i Ltd

Well positioned for strong growth

Internet & new media

Sharekhan code: AFFLE

Reco/View: Buy



CMP: Rs. 1,964

Price Target: Rs. 2,250



Upgrade



Maintain



Downgrade

Summary

- We maintain a Buy rating with a revised PT of Rs. 2,250 (54x FY27E EPS). At CMP, the stock trades at 59.7/47.1x FY26/27E EPS.
- Affle 3i is aiming for an over 20% organic revenue growth in FY26, with a medium-term goal of 10x growth.
- The company expects balanced growth in FY26 with growth driven by new logo addition in developed markets while wallet share increase from existing clients to majorly drive growth in India & Emerging markets
- It is well-placed to capitalise robust growth opportunities across key verticals and markets as global digital spend continue to rise coupled with the shift towards performance-centric advertising.

We interacted with Affle 3i's (Affle's) management to understand the business outlook and growth prospects of the company. The company has reported strong performance over the years with Sales/PAT CAGR over FY21-FY25 of 44.7%/38.7% supported by favorable industry tailwinds and broad-based growth across verticals. The company is aiming for an over 20% organic revenue growth in FY26, with a medium-term goal of 10x growth. For FY25, growth in developed markets outpaced India & Emerging markets, however the company expects balanced growth across markets in FY26, driven by new client additions in developed markets and increased wallet share from existing clients in India and emerging markets. Affle achieved an 80-bps y-o-y margin improvement in FY25, with Q4FY25 margins expanding by ~290 bps y-o-y. Management expects slight margin improvement in FY26 driven by automation and stable employee costs. The company is well-placed to capitalize on robust growth opportunities across key verticals and markets as global digital spends continue to rise coupled with the shift towards performance centric advertising leveraging its strong foothold. We maintain Buy with a revised price target (PT) of Rs. 2,250 (54x FY27E EPS). At CMP, the stock trades at 59.7/47.1x FY26/27E EPS.

Strong Organic growth: Affle delivered strong revenue/PAT growth in FY25 growing 23%/28.5% y-o-y respectively driven by robust CPCU revenue growth of 28.3% y-o-y. The company has reported strong performance over the years with Sales/PAT CAGR over FY21-FY25 of 44.7%/38.7% supported by favorable industry tailwinds and broad-based growth across verticals. The company is well-placed to capitalise robust growth opportunities across key verticals and markets as global digital spends continue to rise coupled with the shift towards performance centric advertising leveraging its strong foothold. The company is aiming for over 20% organic revenue growth in FY26, with a medium-term goal of 10x growth.

Balanced growth across markets: In FY25, developed markets had grown at a faster rate as compared to India & Emerging markets, however company expects balanced growth in FY26 with growth driven by new logo addition in developed markets and expects wallet share increase from existing clients to majorly drive growth in India & Emerging markets. While the company has not witnessed any material impact from US tariff war, sentimental impact is driving consumers to a "wait-n-watch" approach in the near term. Affle which is fundamentally broad-based and focused on verticalization across EFGH categories, expects ecommerce to lead growth globally, followed by gaming and entertainment. Fintech in US is expected to see some moderation due to tariff war concerns till clarity emerges in the near term.

Steady margin improvement: Affle delivered consistent margin improvement in FY25, up 80 bps y-o-y with Q4FY25 margins expanding ~290 bps y-o-y. The company expects margins to expand by a few basis points in FY26, supported by cost efficiencies from intelligent automation, AI-supported workflows and stable employee expenses. However, the company may see some sequential contraction in margin owing to wage hike in Q1FY26.

Our Call

Valuation – Maintain Buy with revised PT of Rs. 2,250: Affle has delivered robust Sales/PAT CAGR over FY21-FY25 of 44.7%/38.7% supported by favorable industry tailwinds and broad-based growth across verticals. The company is on strong growth trajectory and is aiming for over 20% organic revenue growth in FY26, with a medium-term goal of 10x growth. Affle's unique CPCU model positions it favorably to provide consistent, scalable and profitable outcomes for the brands globally and thereby enables it to achieve strong sustainable medium to long term growth. We expect sales/PAT CAGR of ~23%/24%, respectively over FY25-FY27E. The company is well placed to capitalise robust growth opportunities across key verticals and markets as global digital spend continue to rise coupled with the shift towards performance centric advertising. We maintain Buy with a revised price target (PT) of Rs. 2,250 (54x FY27E EPS). At CMP, the stock trades at 59.7/47.1x FY26/27E EPS.

Key Risks

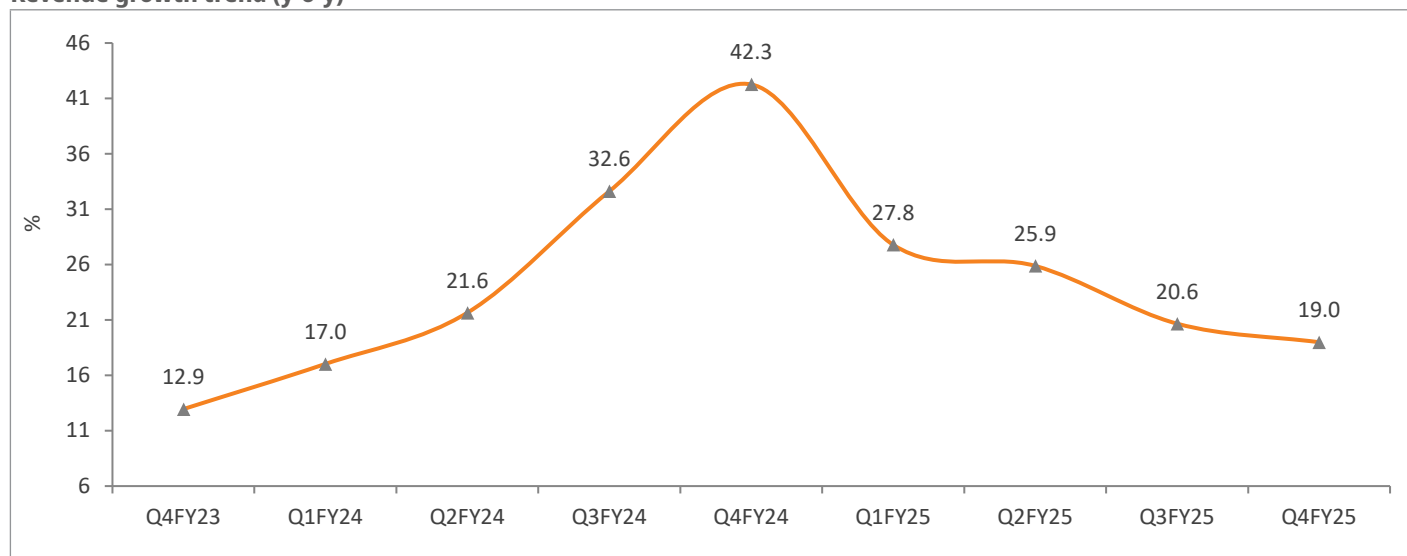
(1) Entry of a large technology player in this space; (2) Inability to generate relevant data for targeted advertisers; and (3) Government regulations related to the management of consumer data and respect for privacy.

Valuation (Consolidated)

Particulars	FY24	FY25	FY26E	Rs cr FY27E
Revenue	1,842.8	2,266.3	2,763.4	3,428.8
OPM (%)	19.5	21.3	21.4	22.2
Adjusted Net Profit	297.3	381.9	461.7	585.4
YoY growth (%)	20.7	28.5	20.9	26.8
EPS (Rs.)	21.9	27.2	32.9	41.7
PER (x)	92.7	72.2	59.7	47.1
P/BV (x)	11.0	9.4	8.1	6.9
EV/EBITDA	73.5	54.2	43.2	32.8
ROE (%)	11.9	13.0	13.5	14.7
ROCE (%)	13.2	11.6	12.2	13.6

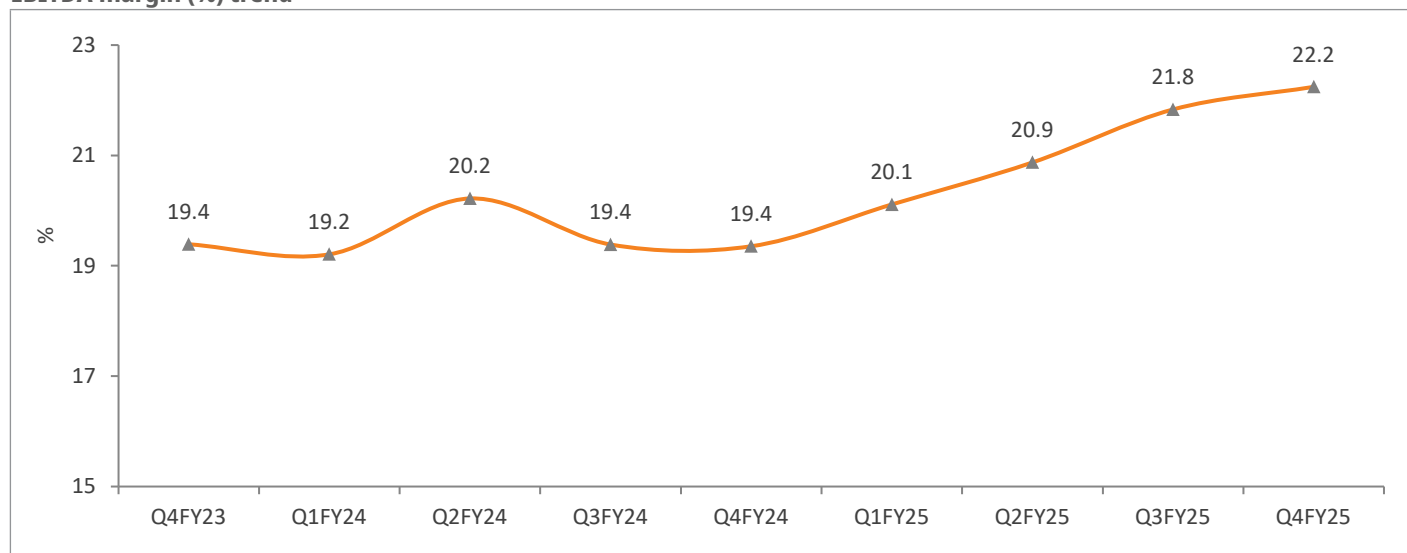
Source: Company; Mirae Asset Sharekhan estimates

Revenue growth trend (y-o-y)



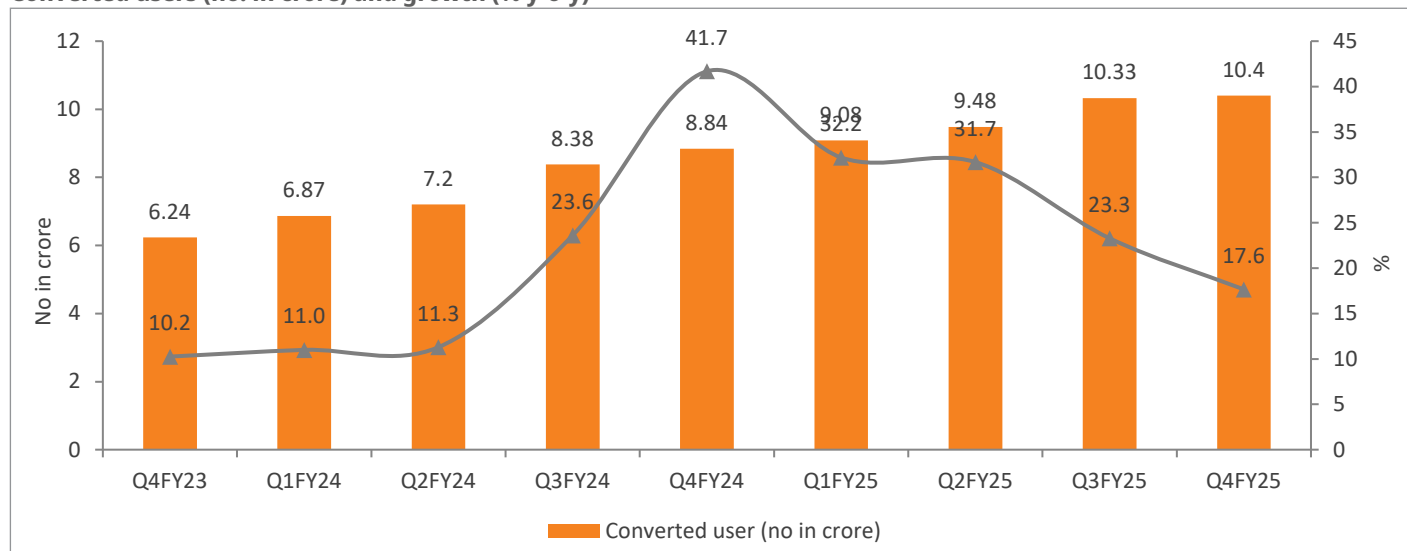
Source: Company; Mirae Asset Sharekhan Research

EBITDA margin (%) trend



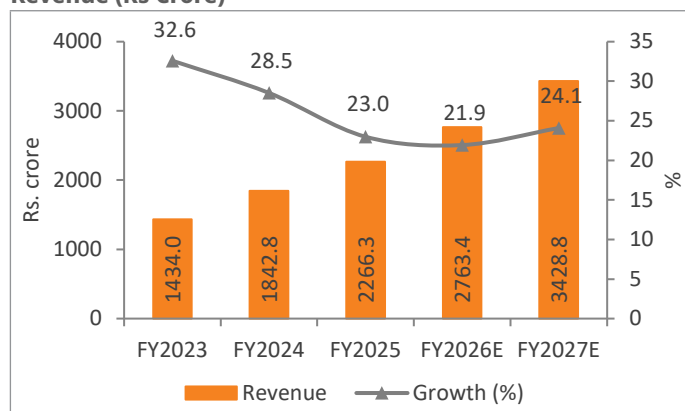
Source: Company; Mirae Asset Sharekhan Research

Converted users (no. in crore) and growth (% y-o-y)

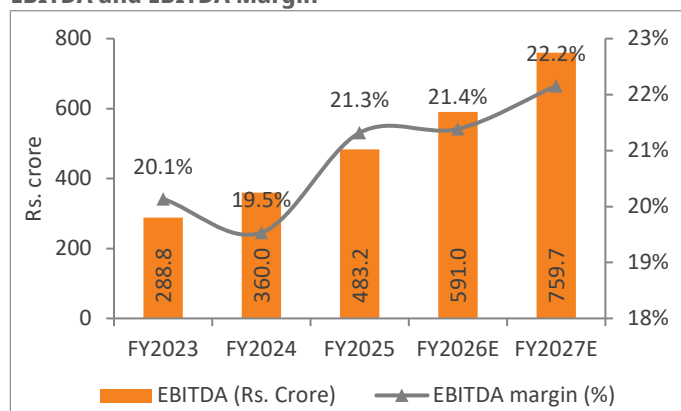


Source: Company; Mirae Asset Sharekhan Research

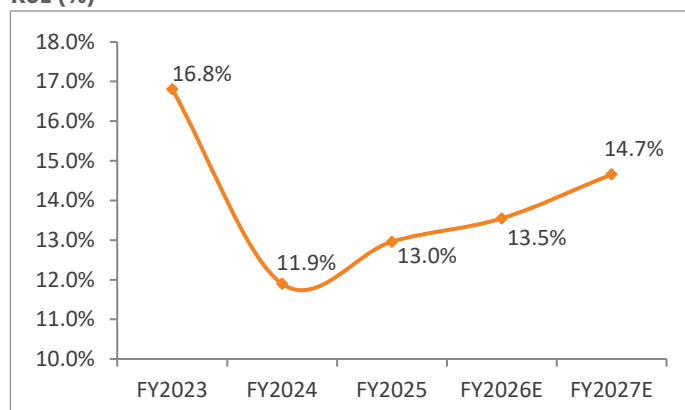
Financials in charts

Revenue (Rs Crore)


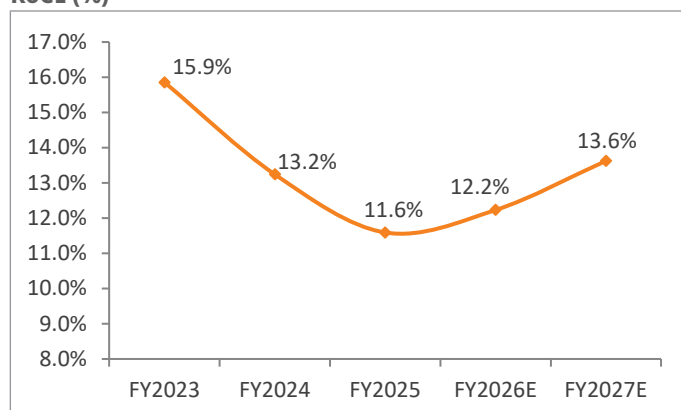
Source: Company; Mirae Asset Sharekhan Research

EBITDA and EBITDA Margin


Source: Company; Mirae Asset Sharekhan Research

RoE (%)


Source: Company; Mirae Asset Sharekhan Research

RoCE (%)


Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Strong growth in mobile ad revenue to continue

Digital advertising spends are expected to report a 32.5% and an 18% CAGR, respectively, in India and Southeast Asia (SEA) in the next five years because of rising active internet users, rapid adoption of smartphones and connected devices, and a young population. Mobile advertisement spends are projected to reach 50% of total advertising spends from 25% currently in India over the next three years. Combined opportunities in mobile-app video, OTT, and CTV programmatic advertising spends across the globe are expected to post a 17% CAGR over 2020-2025.

■ Company Outlook – Long runway for growth

Affle's exposure to fast-growing markets such as India and SEA and emerging verticals in developed markets and segments such as e-Commerce provide a platform for sustainable growth momentum in the long term. With a scalable end-to-end offering across the ad-tech value chain and the CPCU model, we believe Affle would continue to derive high RoI for advertisers. Management expects to deliver at least a 20% revenue CAGR in the next five years because of its CPCU model, focus on 2V and 2O strategies to strengthen its market position, expand its reach to connected devices, and enter into new geographies.

■ Valuation – Maintain Buy with revised PT of Rs. 2,250

Affle has delivered robust Sales/PAT CAGR over FY21-FY25 of 44.7%/38.7% supported by favorable industry tailwinds and broad-based growth across verticals. The company is on strong growth trajectory and is aiming for over 20% organic revenue growth in FY26, with a medium-term goal of 10x growth. Affle's unique CPCU model positions it favorably to provide consistent, scalable and profitable outcomes for the brands globally and thereby enables it to achieve strong sustainable medium to long term growth. We expect sales/PAT CAGR of ~23%/24%, respectively over FY25-FY27E. The company is well placed to capitalise robust growth opportunities across key verticals and markets as global digital spend continue to rise coupled with the shift towards performance centric advertising. We maintain Buy with a revised price target (PT) of Rs. 2,250 (54x FY27E EPS). At CMP, the stock trades at 59.7/47.1x FY26/27E EPS.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

Affle is a global technology company with a leading market position in India. The company has two business segments, i.e. (1) consumer platform and (2) enterprise platform. The consumer intelligence platform delivers consumer engagement, acquisitions, and transactions for leading brands and B2C companies through relevant mobile advertising. The company owns an in-house data management platform with a reach of over 2.4 billion connected devices. The company's enterprise platform helps offline companies to go online through platform-based app development, enabling O2O (online to offline) commerce, and data analytics.

Investment theme

Affle, a leading ad tech company in India, provides end-to-end offerings to advertisers through mobile advertising using its proprietary mobile audience as a service (MAAS) platform for customers. Given its deep learning algorithm capabilities and ability to deliver more targeted and personalised advertisements, more advertisers have been using the consumer platform for running their digital ad campaigns on its platform. With an increased share of digital ad spending and shifting of advertisers towards programmatic advertising, ad-tech vendors such as Affle are well placed to deliver higher growth going ahead.

Key Risks

(1) High client concentration; (2) entry of a large tech player in this space; and (3) inability to generate actionable outcomes for targeted advertisers.

Additional Data

Key management personnel

Name	Designation
Anuj Khanna Sohum	Founder, Chairman and CEO
Anuj Kumar	Co-Founder, Chief Revenue, and Operating Officer
Kapil Bhutani	Chief Financial and Operations Officer
Vipul Kedia	Chief Data and Platforms Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Gamnath Pte Ltd	4.91
2	ICICI Prudential Asset Management	3.18
3	Nippon Life India Asset Management	2.92
4	MALABAR INDIA FUND LTD	2.47
5	Franklin Resources Inc	2.39
6	ICICI Prudential Life Insurance Co	1.71
7	Sundaram Asset Management Co Ltd	1.61
8	Vanguard Group Inc	1.59
9	Aberdeen Group PLC	1.21
10	Monetary Authority Of Singapore/Ne	1.15

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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